



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB2335

Introduced 2/16/2005, by Rep. Frank J. Mautino

#### SYNOPSIS AS INTRODUCED:

215 ILCS 5/537.6

from Ch. 73, par. 1065.87-6

Amends the Illinois Insurance Code. Requires member companies of the Illinois Insurance Guaranty Fund to recoup over a reasonable length of time a sum reasonably calculated to recoup assessments paid by the member company by way of surcharges, to be determined by the Fund, on premiums charged for insurance policies. Requires that the surcharge must be separately stated on the policy declaration statement, schedule, or endorsement. Allows the Fund to permit member companies to omit collection of the surcharge if the expense of collection exceeds the amount of the surcharge. Effective immediately.

LRB094 07037 LJB 37179 b

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Insurance Code is amended by  
5 changing Section 537.6 as follows:

6 (215 ILCS 5/537.6) (from Ch. 73, par. 1065.87-6)

7 Sec. 537.6. Allocation of claims; assessments.

8 (a) The Fund shall allocate covered claims paid and  
9 expenses incurred between the accounts established by Section  
10 535 separately, and assess member companies separately for each  
11 account amounts necessary to pay the obligations of the Fund  
12 under Section 537.2 subsequent to the entry of an Order of  
13 Liquidation against an insolvent company, the expenses of  
14 handling covered claims subsequent to such Order of Liquidation  
15 and other expenses authorized by this Article. The assessments  
16 of each member company shall be in the proportion that the net  
17 direct written premiums of the member company for the calendar  
18 year immediately preceding the year in which the assessment is  
19 levied on the kinds of insurance in the account bears to the  
20 net direct written premiums of all member companies for such  
21 preceding calendar year on the kinds of insurance in the  
22 account. Each member company shall be notified of the  
23 assessment not later than 30 days before it is due. Before  
24 January 1, 2002, no member company may be assessed in any year  
25 on any account an amount greater than 1% of that member  
26 company's net direct written premiums on the kinds of insurance  
27 in the account for the calendar year preceding the assessment.  
28 Beginning January 1, 2002, the amount a member company may be  
29 assessed in any year on any account shall be a maximum of 2% of  
30 that member company's net direct written premium on the kinds  
31 of insurance in the account for the calendar year preceding the  
32 assessment. This 2% maximum shall apply regardless of the date

1 of any insolvency that gives rise to the need for the  
2 assessment. If the maximum assessment, together with the other  
3 assets of the Fund in any account, does not provide, in any one  
4 year, in any account, an amount sufficient to make all  
5 necessary payments from that account, the funds available shall  
6 be paid in the manner determined by the Fund and approved by  
7 the Director and the unpaid portion shall be paid as soon  
8 thereafter as funds become available. If requested by a member  
9 company, the Director may exempt or defer the assessment of any  
10 member company, if the assessment would cause the member  
11 company's financial impairment.

12 (b) Each member company shall recoup over a reasonable  
13 length of time a sum reasonably calculated to recoup the  
14 assessments paid by the member company under this Section by  
15 way of a surcharge on premiums charged for insurance policies  
16 to which this Article applies. The Fund shall determine the  
17 rate of any surcharge. The amount of the surcharge shall be  
18 separately stated on the policy declaration statement,  
19 schedule, or endorsement. The plan of operation of the Fund may  
20 permit a member company to omit collection of the surcharge on  
21 premiums charged when the expense of collecting the surcharge  
22 would exceed the amount of the surcharge.

23 (Source: P.A. 92-77, eff. 7-12-01.)

24 Section 99. Effective date. This Act takes effect upon  
25 becoming law.